



Date: April 27, 2015
To: Thomas J. Bonfield, City Manager
From: Germaine Brewington, Director of Audit Services
Subject: Health Benefits Performance Audit (April 2015)

Executive Summary

The Department of Audit Services completed the report on the Health Benefits Performance Audit dated April 2015. The purpose of the audit was to determine if adequate administrative controls existed over healthcare benefits provided to City employees, including retirees.

Background

The Department of Human Resources (HR) is responsible for administering health benefits to City employees and retirees. Policy HRM 508-1, "Retirement", defines health benefits for service retirement and disability retirement. Health benefits for all employees including service retirees and disability retirees are processed by the Human Resources Department staff using the Workterra system. The Workterra system is used to manage the benefits administration process. In addition, the MUNIS system is used to ensure employees pay the premiums for their elected Health Insurance Benefits. The MUNIS General Billing module is used to bill retirees that continue to obtain Health benefits through the City. The Workterra System and the MUNIS system do not interface with each other. The City is a self-insured entity which paid approximately \$26 million in claims in fiscal year 2014.

Results in Brief

The Workterra, MUNIS General Billing Module and Blue Cross Blue Shield (Benefits Focus) systems were not reconciled. Audit Services Department staff observed, after performing a reconciliation, that the health insurance plans were consistent for the most part between the systems. Control deficiencies observed however, included:

- Eighty-five (85) employees who were terminated from the City received health insurance coverage. The claims processed for those individuals from the date of termination to the end of April 2015 amounted to approximately \$28,000;
- Rates charged to eleven (11) employees were not calculated in accordance with HRM 508-1 "Retirement". For the 11 exceptions, premiums lost equaled approximately \$61,000 over a three year period;
- Thirty-five (35) retirees were not billed for their share of the premiums. The premiums lost equaled approximately \$23,000 from the date of retirement to the end of March 2015; and
- Standard operating procedures were not current and did not reflect current practices as it related to the processing of health insurance benefits in the MUNIS system and the Workterra system for retirees, active employees, and terminated employees.

Five recommendations were suggested to enhance controls around the health benefits administration process.

Issues and Analysis

The attached report details the objectives, observations, and results of the Health Benefits Performance Audit dated April, 2015.

Recommendation

The Department of Audit Services recommends the City Council receive and accept the Health Benefits Performance Audit dated April 2015 as presented and approved at the April 27, 2015 Audit Services Oversight Committee meeting.

Attachment